

# OFFICE OF AUDITS & ADVISORY SERVICES



## SHERIFF'S DEPARTMENT OFFICERS' TRANSITION AUDIT

### *FINAL AUDIT REPORT*

Chief of Audits: [James L. Pelletier, CIA, CICA](#)  
Senior Audit Manager: [Tom Philipp, CIA, CCSA](#)  
Senior Auditor: [Mady Cheng, CPA, CISA](#)  
Auditor I: [Geena Balistrieri, CPA](#)

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# COUNTY OF SAN DIEGO

## INTER-DEPARTMENTAL CORRESPONDENCE

June 8, 2010

TO: William D. Gore, Sheriff  
Sheriff's Department

FROM: James L. Pelletier  
Chief of Audits

### FINAL REPORT: SHERIFF'S DEPARTMENT OFFICERS' TRANSITION AUDIT

Enclosed is our report on the Sheriff's Department Officers' Transition Audit (Kolender – Gore). We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Mady Cheng at (858) 495-5679.

If you have any questions, please contact me at (858) 495-5661.

JAMES L. PELLETIER  
Chief of Audits

AUD:MC:aps

Enclosure

c: Raymond A. Fernandez, Deputy Chief Administrative Officer, Public Safety Group  
Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Dorothy Y. Thrush, Group Finance Director, Public Safety Group

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## INTRODUCTION

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<b>Audit Objective</b>	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Sheriff's Department. The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, William B. Kolender, and incoming officer, William D. Gore, took appropriate actions and filed complete and accurate reports as of July 3, 2009 in compliance with California Codes, County regulatory requirements, and County policies and procedures. These requirements were explained in the instruction letter provided to each officer.
<b>Background</b>	The County Charter requires that the OAAS conduct such an audit when County officers leave or assume office to determine if certain affidavits, authorizations, disclosures, and reports are properly completed and processed. These actions provide for an orderly transition of officers, establish proper accountability for public assets, and promote the County's General Management System (GMS), including its key disciplines of accountability/transparency, fiscal stability, and continuous improvement.
<b>Audit Scope &amp; Limitations</b>	<p>The reports are the responsibility of the officer who signs them. The OAAS' responsibility is to provide an opinion on the reports based upon the audit.</p> <p>This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.</p>
<b>Methodology</b>	OAAS reviewed all required reports filed by the outgoing and incoming officers and obtained supporting documentation to test completeness and accuracy of the reports.

## AUDIT RESULTS

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<b>Summary</b>	In our opinion, there is reasonable assurance that the outgoing and incoming officers filed complete and accurate reports in compliance with California Codes, County regulatory requirements, and County policies and procedures in connection with an officer's transition, except for the following items:
<b>Finding I:</b>	<p><b>Controls Over Accounts Receivable Need Improvement</b></p> <p>OAAS noted the following with respect to accounts receivable:</p> <p><b><i>Late Billing to Contract Cities</i></b> – In our review of the supporting documentation for reported accounts receivable, we noted approximately \$6M worth of services provided to contract cities that had not been billed in a timely manner (up to 45 days after services were provided);</p>

**Late Receipts** – We reviewed the Accounts Receivable Aging Report provided by the department and noted \$630K reported as over 90 days old. Upon our inquiry, Sheriff personnel contacted the customer who represented 70% of the balance, which had been outstanding for over a year, and received payment within two weeks; and

**Write-Off** – For the months of August 2008 to January 2009, Sheriff's Department did not consistently comply with the reporting requirements of the State's Local Assistance Program. As a result, the State declined to reimburse \$77K of \$140K (55%) of claims related to non-routine medical care provided to inmates. In particular, \$71K of the \$77K (92%) was denied because written notification was not submitted to the State Parole Unit within three consecutive days of providing continuous emergency medical care, as follows:

Reasons for Denial of Claims (for August 2008 to January 2009)	Amount Denied
Failure to submit written notification to the State Parole Unit within three consecutive days of providing continuous emergency medical care (including \$9,081 which Sheriff's Dept. stated that written notification had been faxed to the Parole Unit but was unable to provide proof)	\$70,719
Failure to provide verbal notification to State Parole Unit within 24 hours and failure to justify the emergency medical care	4,133
Inmate Not Eligible	2,482
<b>Total Amount Denied</b>	<b>\$77,335</b>

According to the California Department of Corrections and Rehabilitation's Daily Jail Rate Manual, under the Local Assistance Program, if a State parolee in the custody of the County requires non-routine medical care, the County must provide verbal notification to the Parole Unit Supervisor within 24 hours. Additionally, within three consecutive days of continuous emergency non-routine medical care, the County must provide written notice to the State for a determination whether to release the State's parole hold or remove the parolee from the County's care.

As a result of the delay in billing and receipts, cash inflow was delayed. Additionally, the denial of claims resulted in the subsequent write-off of \$77K of the \$113K (69%) accounts receivable from the Local Assistance Program as of July 2009.

**Recommendation:**

Sheriff's Department should strengthen controls over accounts receivable to ensure timely billing of services provided to contract cities, timely collection of accounts receivable, and compliance with related State requirements (e.g., timely verbal and written notifications to the State Parole Unit of inmate emergency medical treatment).

**Finding II:**

**Reporting Errors during Physical Inventory**

Assorted ammunition totaling \$0.5M in one armory was not included in the July 2009 materials and supplies inventory report. In addition, two

of 14 minor equipment sampled (14%) were reported as “sighted” in the inventory report although the items had actually been salvaged prior to the inventory report date.

County Administrative Manual, Policy #0050-02-1, Section II-B specifies that a department will take a physical inventory of capital assets and minor equipment upon change in its officer. Also, Sheriff Financial Service Division’s (FSD) instructions for the 2009 triennial inventory states the following:

- A comprehensive physical inventory of all capital assets and minor equipment is required;
- An item sighted but not on the listing must be added to the inventory; and
- An item not sighted should be indicated on the listing by a zero.

The reporting errors were caused by insufficient monitoring/reviewing of the physical inventory process. As a result, the minor equipment balance and the materials and supplies balance were inaccurately reported on the inventory certificates (i.e., AUD Forms 501 and 502) filed by the outgoing and incoming officers.

**Recommendation:**

To reduce reporting errors related to the physical inventory process, Sheriff’s Department should:

1. Immediately remove the item from the minor equipment inventory list when a minor equipment item is salvaged.
2. Strengthen controls over the physical inventory process. This should include, but not be limited to:
  - a. Designing and implementing new controls such as spot-checking the counts by FSD staff; and/or
  - b. Enhancing training to staff conducting the physical inventory (i.e., Property Managers and Facility Managers), including how to assess completeness and accuracy of inventory counts.

**Finding III:**

**Errors in Minor Equipment Inventory Report**

OAAS noted 178 items with value over \$5K in the July 2009 Minor Equipment Inventory Report. Upon further review, 163 of these 178 items were found to have sufficient details to support their inclusion in the minor equipment listing. The remaining 15 items could not be supported. See details as follows:

Type of Error	#	Amount
Duplicate Entries	6	\$120K
Misclassified Items (i.e., items should be capital assets)	8	61K
Sighting Error (i.e., item was transferred out prior to July 2009)	1	11K
<b>Total Errors</b>	<b>15</b>	<b>\$192K</b>
<b>Error %</b>	<b>8.4%</b>	<b>4.5%</b>

The errors were caused by inconsistent adherence to inventory policies and procedures. According to County Administrative Manual, Policy #0050-02-1, department heads are required to maintain listings of minor equipment items for which they are responsible. Capital equipment has a unit cost of at least \$5,000, and minor equipment has a unit cost between \$500 and \$4,999.

The errors resulted in the minor equipment balance and the capital asset balance being inaccurately reported on the inventory certificates (i.e., AUD Forms 501 and 504) filed by the outgoing and incoming officers. The minor equipment balance was overstated on AUD Form 501 by \$192K and the capital asset balance was understated on AUD Form 504 by \$61K.

#### **Recommendation:**

Sheriff's Department should enhance controls over minor equipment inventory. This should include, but not be limited to:

1. Filing a Form 253 with FSD which should then immediately update the minor equipment inventory list upon the relocation of a minor equipment item;
2. Reviewing the minor equipment inventory list annually to correct any misclassifications of capital assets; and
3. Strengthening controls over the physical inventory process. See recommendations for Finding II for details.

#### **Finding IV:**

##### **Minor Equipment Items with Blank Tag Number Field**

On the July 2009 Minor Equipment Inventory Report, the tag number field was blank for 610 of 24,495 items. For example, the tag number field was blank for 27 of 125 Survivair respirator air tanks.

According to the FSD Desk Procedure Manual and instructions for the 2009 triennial inventory, all assets except for furniture and books should be issued property tag numbers to signify that they are properties of San Diego County Sheriff's Department, and the tags are color coded and numbered in sequential order.

When assets are not assigned tag numbers, it would be difficult to maintain an accurate and complete inventory. For example, Property Managers would not be able to confirm whether the item sighted is the item listed on the report.



**Recommendation:** Sheriff's Department should ensure each minor equipment item is assigned a tag number. For the 610 items without tag numbers, FSD should work with related Property Managers to resolve the issue. For example, if a Property Manager finds a numbered asset tag on the item, FSD should update the inventory report with the missing tag number. If the item has no asset tag, FSD should issue a new tag which Property Manager should affix to the item.

## COMMENDATION

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The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the officers and staff of the Sheriff's Department throughout this audit.

Office of Audits & Advisory Services

C Compliance R Reliability E Effectiveness A Accountability T Transparency E Efficiency

VALUE

## **DEPARTMENT'S RESPONSE**

**COUNTY OF SAN DIEGO****INTER-DEPARTMENTAL CORRESPONDENCE****RECEIVED****JUN 04 2010****OFFICE OF AUDITS &  
ADVISORY SERVICES**

June 3, 2010

**TO:** James L. Pelletier, Chief of Audits  
Auditor & Controller O-305

**FROM:** William D. Gore, Sheriff O-41  
San Diego County Sheriff's Department

**Department Response to Audit Recommendations: Sheriff's Department Officers'  
Transition Audit****Finding I: Controls Over Accounts Receivable Need Improvement**

**OAAS Recommendation:** Sheriff's Department should strengthen controls over accounts receivable to ensure timely billing of services provided to contract cities, timely collection of accounts receivable, and compliance with related State requirements (e.g., timely verbal and written notifications to the State Parole Unit of inmate emergency medical treatment).

**Action Plan:** The Sheriff's Department agrees with the audit recommendation and plans to implement the following:

On all accounts receivables, the department will send 2<sup>nd</sup> request notices to agencies with accounts receivable balances over sixty (60) days.

All contract city invoices will be prepared and mailed between the 15<sup>th</sup> and 25<sup>th</sup> of each month. The aging report will be reviewed monthly and any outstanding invoices will be followed up on with city finance staff. The city manager will be notified on all invoices that are over 60 days past due.

In November 2009, a written set of guidelines was established regarding the proper verbal and written notification procedures in compliance with the State's Local Assistance Program that relates to reimbursement for parolee health care costs incurred during the parolee's incarceration period in the local county jails. Additionally, a training bulletin has been issued and all nursing staff that would be involved in the process were required to read and understand the procedures.

William D. Gore, Sheriff

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**Planned Completion Date:** July 1, 2010, for the first two items of Finding 1. Corrective action has already taken place on compliance with State requirements on reimbursement of inmate emergency medical treatment.

**Contact Information for Implementation:** Keith Spears, Sheriff's Contracts Manager, 858-974-2236; Jill Serrano, Sheriff's Chief Financial Officer, 858-974-2377; Jocelyn Abadiano, Sheriff's Detention Supervising Nurse, 858-974-5694.

**Finding II: Reporting Errors during Physical Inventory**

**OAAS Recommendation:** To reduce reporting errors related to the physical inventory process, Sheriff's Department should:

1. Immediately remove the item from the minor equipment inventory list when a minor equipment item is salvaged.
2. Strengthen controls over the physical inventory process. This should include, but not be limited to:
  - a. Designing and implementing new controls such as spot-checking the counts by FSD staff; and/or
  - b. Enhancing training to staff conducting the physical inventory (i.e., Property Managers and Facility Managers), including how to assess completeness and accuracy of inventory counts.

**Action Plan:** The Sheriff's Department agrees with the given recommendations on how to reduce reporting errors related to the physical inventory process.

The Sheriff's Department has improved procedures to ensure that all minor equipment sent to Salvage is removed immediately from the inventory list when the Form 253 (Property Loan and Transfer Request form) is received.

The Department will implement new controls over the actual physical inventory process by spot checking the actual inventory count and ensuring that procedures are being followed.

The Department will conduct a semi-annual training for the Department's Property Managers to assist them in implementing controls over minor equipment inventory and to train them in preparing accurate and complete inventory counts.

William D. Gore, Sheriff

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**Planned Completion Date:** Ongoing process; semi-annual training will be done every October and April.

**Contact Information for Implementation:** Ava Salunga, Sheriff's FSD Manager;  
858-974-2235.

**Finding III: Errors in Minor Equipment Inventory Report**

**OAAS Recommendation:** Sheriff's Department should enhance controls over minor equipment inventory. This should include, but not be limited to:

1. Filing a Form 253 with FSD which should then immediately update the minor equipment inventory list upon the relocation of a minor equipment item;
2. Reviewing the minor equipment inventory list annually to correct any misclassifications of capital assets; and
3. Strengthening controls over the physical inventory process. See recommendations for Finding II for details.

**Action Plan:** The Sheriff's Department agrees with the given recommendations that controls should be enhanced over minor equipment inventory.

The semi-annual training mentioned in the above response will cover the processing of Form 253 by the Property Managers and when the form should be filed, including for change of location of the asset. Upon receipt of Form 253s, the minor equipment inventory list will be updated.

An annual review of the inventory list of items costing beyond the minor equipment threshold of \$4,999 will be conducted to ensure that all items recorded are properly classified.

As mentioned in the action plan for Finding II, a semi-annual training will be held for the Department's Property Managers to assist them in implementing controls over minor equipment inventory and to train them in preparing accurate and complete inventory counts.

**Planned Completion Date:** Ongoing process - the semi-annual training will be done every October and April.

**Contact Information for Implementation:** Ava Salunga, Sheriff's FSD Manager,  
858-974-2235.

William D. Gore, Sheriff

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**Finding IV: Minor Equipment Items with Blank Tag Number Field**

**OAAS Recommendation:** Sheriff's Department should ensure each minor equipment item is assigned a tag number. For the 610 items without tag numbers, FSD should work with related Property Managers to resolve the issue. For example, if a Property Manager finds a numbered asset tag on the item, FSD should update the inventory report with the missing tag number. If the item has no asset tag, FSD should issue a new tag which Property Manager should affix to the item.

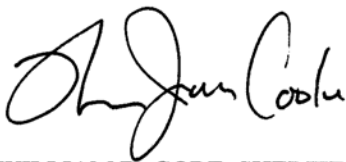
**Action Plan:** The Sheriff's Department agrees that each minor equipment item should be assigned property tag number. The Department will work with the Department's Property Managers to ensure that property tag numbers are affixed properly to all minor equipment, where practical.

As mentioned on the action plan for Finding II, a semi-annual training will be held for the Department's Property Managers regarding inventory controls. The training will include the process by which asset tags should be requested and for which items.

**Planned Completion Date:** October 2010

**Contact Information for Implementation:** Ava Salunga, Sheriff's FSD Manager, 858-974-2235.

If you have any questions, please contact Jill Serrano, Sheriff's Chief Financial Officer at 858-974-2377.



WILLIAM D. GORE, SHERIFF

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